

SACS Accounting Committee Meeting
January 9, 2002
California Dept of Ed, Sacramento

I. Introductions and Notices

- A. Mary Eve Peek and Christine Davis have been reassigned from the Office of Financial Systems and Management Assistance (OFSMA) unit to the Fiscal Accountability and Information Services (FAIS) unit because their duties fit more naturally into the focus of that unit.
- B. The new December 2001 CSAM is available at:
<http://www.cde.ca.gov/fiscal/sacs/csam>. Due to budget cuts, CDE will not send a complimentary copy to each LEA. The manuals may be downloaded or purchased by contacting CDE Press at (916) 445-7608.
- C. A list of the resources included in the 2000-01 Charter School Block Grant was distributed. The most recent list for 2001-02 is available at:
<http://www.cde.ca.gov/charter/funding/0102csestfundrates.html>
- D. A chart to match goals and object codes for pass-through grants was distributed. (See Attachment A) It is very important that LEAs involved in pass-through arrangements or contracts for service both use the same accounting model. The use of the goal field is a very important part of this model.

II. Warnings

- A. Report on Community Day School (DAY)
An analysis of the 2000-01 data submitted in the DAY report shows that a significant number of LEAs are not using correct coding. The DAY report captures expenditures by Resource 2430, Goal 3550, and a limited number of functions. As a result, many DAY reports did not report sufficient expenditures and indicated that apportionment is due back to CDE. We believe that in most cases, the data on the 2000-01 reports is not reliable, and therefore apportionments will not be reduced until the LEA has been contacted for an explanation. CDE will also add a checklist to the software that warns the LEA of any report that is indicating that future apportionments will be reduced to alert LEAs to possible problems with their coding.
- B. Function X Object
The combination of Function X Object is a critical one for reporting. Despite many attempts at training, additions to CSAM, and warnings at meetings, LEAs do not correct these errors before submitting the data to CDE. These errors have to be corrected before we can use the data in statewide reports. Therefore, CDE proposed making this error a fatal one for the 2001-02 unaudited actuals. The meeting participants disagreed with this decision and urged that it be delayed until

the following year so that LEAs have time to avoid mistakes that may already exist in this year's data. Function X Object will be a fatal exception in the 2002-03 budget and thereafter, but not in the 2001-02 actuals.

C. Fund X Resource

In the past, CDE allowed Adult Ed resources in the General Fund for COEs. Now CDE has opened Fund 11 Adult Ed for use by COEs. Therefore, the Adult Ed resources will no longer be allowed in the General Fund.

III. Accounting Issues

A. GASB 34: Districtwide Financial Statements

Discussion continued on how to convert capital expenditures in governmental fund accounting to capital assets for the new district-wide financial statements. Several capitalization issues were brought up:

- The current idea is to pull any expenditure in a 6XXX object code or to in Function 8500 Facility Acquisition or Construction. In that case, expenditures to Object 4400 Uncapitalized Equipment will be capitalized if they are also coded to Function 8500.
Several meeting participants objected to the inclusion of Object 4400 in capitalized building costs. Alternatives suggested included not allowing the Function 8500 X Object 4400 combination, or creating a new function for non-capitalized construction/acquisition costs.
- The group discussed whether Object 6300 Major Expansion of Library should be expanded to include other capitalized collections of textbooks and materials, or eliminated altogether. No decision was reached.
- A question arose about how to code architect fees for a project that is not done; this charge would be to Object 5800 – Professional / Consulting Services.
- When reversing work-in-progress from a prior year because the costs will not be capitalized, the conversion JE on the worksheets should be adjusted for the amount should not be capitalized.
- Equipment of Student Body fund will not be included in supporting schedule for government-wide reporting because the Student Body fund is a fiduciary fund that is not included in the government-wide statements; however, LEAs may still want to track for inventory control purposes.
- Interest expense on loans, capital leases – 7XXX interest objects allowable only with 9XXX function.
- If an LEA acquires equipment through capital leases, then the equipment should probably be capitalized as an asset to match the debt.

B. GASB 33: Accounting and Financial Reporting for Nonexchange Transactions

Recently, an LEA was given a qualified opinion because revenue of some restricted resources was deferred rather than recognized. The auditor believed the carryover should have been reported as ending fund balance. This was a result of the auditor's interpretation of GASB 33. A discussion ensued about when revenue should be

recognized. CDE indicated they would submit a request for interpretation of the Government Accounting Standards Board before making any decisions about current resources. Arguments were made that the use of deferred revenue was preferred. This issue will be presented at future meetings.

- C. Certificated noon duty supervisors should be coded with Function 1000, Instruction and Object 1100, Teachers. Non-certificated noon duty supervisors are also coded with Function 1000, but with Object 2900, Other Classified.
- D. Dues for the LEA are coded with Object 5300 – Dues and Memberships. Dues paid for an individual could be coded with Object 3901/3902 – Other Benefits.
- E. Several examples of coding for employee expenditures were presented. Some examples:
 - Signing bonuses: part of the cost of the teacher – Object 1XXX
 - Moving expenses: Function 7200, Object 5800
- F. Continued the discussion from the last meeting regarding reporting of charter schools by the school field. Referenced was a letter CDE received from the field against the use of the school field to identify charters and proposed another identification method, such as a CDS code.
- G. A copy of a grant award letter for the WIA program was distributed. The Adult Ed program staff misunderstood how resources are used. CDE will contact the Adult ED staff to provide training and to correct granting letters. We rely on input from the field to solve these coding problems.

IV. Changes to Software and Other Issues

- A. The matrix table update as of January 9, 2002 was presented.
- B. Discussion of accounting for instructional materials with the passage of SB 786, which requires that a school district spend within two years of the date the materials are adopted the funds it receives for the purchase of instructional materials as defined in the legislation, and prohibits carry over beyond two years. Current guidance directs the field to account for the funds as ending fund balance; the legislation suggests a change to deferred revenue. No changes will be made to the matrices until CDE has discussed this issue with program's administrators.
- C. Discussion of the ROP report and the problem with transfers for contracts for services and the resulting 15% limit on carryover. We will be meeting with ROP program staff about changing the form to update the rules on carryover. Will advise as this issue progresses.

D. Lottery accounting

1. There have been issues regarding the use of Lottery Instructional Materials funding (Resource 6300) for the purchase of non-capitalized equipment (Object 4400). Specifically, the definition of technology-based materials in Ed Code 60010 excludes “the equipment required to make use of those materials”; however, the argument is that the purchase of equipment should be allowed in conjunction with the purchase of technology-based materials. Our guidance is to interpret the Ed Code as it is.
2. Another issue with Lottery accounting is the inability to transfer into or out of the Lottery resources (1100 and 6300). This is due to legal reporting requirements, therefore the Lottery resources have to remain intact. There was discussion of changing the Lottery report to pick up transfers; this is a potential change that we will be looking into.

E. We are seeing accounts with negative balances, with a common error of recording abatements incorrectly. If funds are received in the current year for the cancellation of a prior-year expenditure, the funds received should be recorded as revenue, not a negative expenditure. Guidance in CSAM Part I, Procedure 406, addresses proper accounting for abatements.

F. Funds 19, 57 and 73 are for gifts or bequests for which there is a formal trust agreement; other donations should be accounted for in the general fund. CDE advised that interfund transfers among legal trusts are unlikely. CDE advised that with specific regard to scholarship funds for which no formal trust exists, LEAs should check with their auditors to determine whether “substance over form” should apply.

V. SACS Query Page – Obsolete Fields

The audience was asked if any of the fields on the SACS query page were not useful. The consensus was that the majority of the fields are useful. The fields that we will probably eliminate are: CDE Report Required; Comments on Financial Reports; and Funding Opportunity Database. The first two fields do not provide enough information to be useful, and the third field, which provides a link to the funding profile for a particular resource, is not linking to the correct information.

ATTACHMENT A

Summary of Pass-through Codes

I. Pass-through of Apportionment (Resource 6500 Special Ed and Resource 6350 ROC/P only)

(Reference: *CSAM Part II*, page 163 and 176)

Original Recipient	Sub-Recipient
01-6500-0-5001-0000- 8311	
Receive revenue	
01-6500-0-5001-9200- 7221, 2, 3	01-6500-0-5001-0000- 8791, 2, 3
Transfer out apportionment	Transfer in of apportionment
	01-6500-0-5XXX-XXXX-XXXX
	Expenditures for programs

II. Pass-through of All Other Resources (Federal, State, or Local)

(Reference: *CSAM II*, page 159-161)

Original Recipient	Sub-Recipient
01-3310-0-5001-0000- 8287	
Receipt of federal money to be passed	
01-3310-0-5001-9200- 7211, 2, 3	01-3310-0-5001-0000- 8181
Pass-through of resource	Receipt of resource
	01-3310-0-5XXX-XXXX-XXXX
	Expenditure for programs
01-7110-0-0000-0000- 8587	
Receipt of state money to be passed	
01-7110-0-0000-9200- 7211, 2, 3	01-7110-0-0000-0000- 8590
Pass-through of resource	Receipt of resource
	01-7110-0-XXXX-XXXX-XXXX
	Expenditure for programs
01-9110-0-0000-0000- 8697	
Receipt of local money to be passed	
01-9110-0-0000-9200- 7221, 2, 3	01-9110-0-0000-0000- 8699
Pass-through of resource	Receipt of resource

III. Contract for Services

(Reference: *CSAM II*, page 167-169)

Original Recipient	Sub-Recipient
01-6500-0-5001-0000- 8311	
Receipt of resource revenue	
01-6500-0-5750-1110- 5800	01-9010-0- 7110 -0000- 8677 (8285 federal)
Pay for services provided to recipient	Payment for providing services
	01-9010-0- 7110 -1110-XXXX
	Expenditure to provide the service

